

Senators Look At Adding Social Well-being To GDP

BY KRISTIAN FODEN-VENCIL

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When the United States fell into the great depression during the early 1930s, the country needed a measuring tool -- to find out whether productivity was increasing or decreasing.

That's when Economist Simon Kuznets came up with the 'Gross National Product.' It's defined as the total market value of all goods and services produced within a year.

The measurement was embraced as a way to quickly gauge the country's financial well being. It remains a staple of economic reports to this day-- though it was changed in the 1990's from the GNP to the GDP, to the Gross Domestic Product.

But almost 80 years later, a growing number of people are questioning whether the GDP is actually measuring the right things anymore.

And that's just the subject that's coming up Wednesday before a US Senate Committee that Republican Gordon Smith sits on.

Kristian Foden-Vencil reports.

Forty years ago Robert Kennedy made a speech to the University of Kansas, questioning the nation's reliance on the GNP as a valid measurement. He said Americans had surrendered community values and personal excellence to pursue the accumulation of material goods.

Robert Kennedy: "That Gross National Product counts air pollution and cigarette advertising and ambulances to clear our highways of carnage. It counts special locks for our doors and the jails for the people who break them."

He complained that the GNP counts the destruction of the environment and the products of war as positives, while rendering nature, art and the strength of families largely valueless.

Robert Kennedy: "It measure neither our wit nor our courage, neither our wisdom nor our learning, neither our compassion nor our devotion to our country' it measures everything, in short except that which makes life worthwhile. And it can tell us everything about America, except why we are proud that we are Americans."

It's a speech that's often cited when talking about what's now the GDP, but that yardstick remains firmly entrenched as a measure of absolute economic good.

Martin Collier, the executive director of the Glaser Progress Foundation, would like to change that.

Martin Collier: “It was a very good measurement coming out of the great depression and going into World War II – when we needed to measure and bolster productivity. You get what you measure, you are what you measure, and you fix what you measure, which is why what you measure is so important to a society.”

For example the US spends 16 percent of the GDP on healthcare – far more than any other country. So you might assume that the US is the healthiest nation in the world. But it’s ranked 24th by the World Health Organization. Ken Arrow is a nobel-prize winning economist at Stanford University. He has other examples of what's missing in the calculation of the GDP.

Ken Arrow: “When we take oil out of the ground. That’s a negative savings. Because the oil is there, it’s a part of our capital, we use it and we no longer have it. And yet we do not deduct depletion of oil from our national income.”

Arrow says what the nation needs to do is keep the GDP, so there’s some historical context, but also develop a new formula, which takes issues such as oil depletion and the environment into consideration.

But says Arrow, says there are limits. For example, he doesn't advocate following the example of Bhutan, which came up with a ‘Gross National Happiness’ indicator. . .

Ken Arrow: “It’s a very common observation among the happiness students, that relative standing is very important. I’m happy because I’ve got more than, not than I used to have, but that I’m better off than somebody else, whom I compare myself with.”

The United Nations decided against a ‘happiness’ indicator, but it uses what’s called the ‘Human Development Index.’ It was developed in 1990 and measures things that aren’t included in the GDP, for example the literacy of a population and its standard of living.

But while there is a GDP change hearing in the Senate subcommittee on Interstate Commerce, Trade and Tourism this afternoon, Oregon Gordon Smith, won't be there. His staff says he has other issues to deal with.

Calls to the office of Senator Ron Wyden were met with similar sentiments. Glaser Foundation director, Martin Collier, says he's had to change tactics in an effort to garner more attention.

Martin Collier: “The shift in strategy is towards an effort to popularize this idea, move it out into the mainstream, so that people really begin to understand that we are not measuring the right things in this country.”

Getting agreement about exactly what those "right things" are may prove a bit more challenging. While the issue is being discussed today, no vote has been scheduled -- and whether a specific proposal will even get that far is by no means clear.

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